

WITHHOLDING TAX UPDATE

93-1

DECEMBER 1993

I. CURRENT WITHHOLDING TAX RATES TO APPLY FOR 1994

The current withholding tax rates will continue for 1994. Those rates are found in the department's current issue of the "Wisconsin Employer's Withholding Tax Guide" for payroll periods beginning on or after May 1, 1988. If changes in the tax laws result in new withholding tax rates, the department will mail notification to all registered employers.

II. MAILING DATE FOR COUPON BOOKLETS

Employers depositing Wisconsin withheld taxes on a semimonthly, monthly, or quarterly basis will be mailed a 1994 coupon booklet during January 1994. Booklets for semimonthly filers should be delivered by January 28. Booklets for monthly and quarterly filers should be delivered by February 11. If these dates have passed and you have not received your coupon booklet, please call us at (608) 267-1025 or (608) 266-2776. Please retain your 1993 coupon booklet until you receive your 1994 booklet.

III. MAGNETIC MEDIA REPORTING REQUIREMENTS

Wage statements and information returns are required to be filed on magnetic media with the Department of Revenue (DOR) if the number of any one type of wage statement or information return required to be filed with Wisconsin is 250 or more.

For more information about magnetic media specifications write to: Wisconsin Department of Revenue, PO Box 8903, Madison, WI 53708-8903; or call (608) 267-3327.

IV. ARE YOU REPORTING EMPLOYEE'S WITHHOLDING IN THE PROPER PERIOD?

Withholding liability is based on when wages are paid to employees, not when wages are earned. Use the date the employee is paid to determine the correct reporting period.

V. DID YOU KNOW?

- A law enacted by the state of Maryland on May 1, 1992, has terminated income tax reciprocity between Wisconsin and Maryland, effective for taxable years beginning after December 31, 1991.
- Filing a Form WT-7 does not relieve you of the responsibility of filing a deposit report (Form WT-6) unless you have been assigned an annual filing frequency.
- Employers are required to file Forms WT-6 or WT-7 even when their liability for a particular period is zero.
- The due date for the Employer's Annual Reconciliation of Wisconsin Income Tax Withheld From Wages (Form WT-7) is January 31. This is earlier than the federal due date.
- A 30-day extension may be given for good cause, to file the Employer's Annual Reconciliation of Wisconsin Income Tax Withheld From Wages (Form WT-7) and the wage and tax statements (Form W-2) or information returns. No extension is available for depositing withheld tax amounts.
- Written authorization by the taxpayer is required by the Wisconsin Department of Revenue in order for a taxpayer's representative to receive or inspect tax forms or notices which contain confidential information. Use the department's Power of Attorney (Form A-222) or a substitute reflecting the same information.
- Send forms to the addresses shown on the form. The Withholding Tax Deposit Report (Form WT-6) and the Employer's Annual Reconciliation of Wisconsin Income Tax Withheld From Wages (Form WT-7) have different mailing addresses.

VI. NEW FORMAT FOR WT-7

In 1992, a new format was designed for the Employer's Annual Reconciliation of Wisconsin Income Tax Withheld From Wages (Form WT-7). It is now a white 8½" x 11" form. It is important to use the department issued preprinted form when filing, as this helps speed processing.

VII. NEW ADJUSTMENT PROCESSES FOR WITHHOLDING TAX

In January 1993, the department implemented new computerized adjustment processes for issuing bills and refunds. The new processes create the adjustment sooner and provide more information as to why the department is issuing the notice. The bills are generally of two types: one type notifies the employer of amounts of unpaid tax and interest due and are due in 15 days, and the other type assesses the negligence penalty and has a 60 day appeal period. The refund process is faster, and allows for the interception of the refund for offsetting to other amounts due. The new notices also contain more information on actions the employer should take to resolve the matter, including information on how to contact the department for further information.

This follows the department's earlier improvements in detecting employers that do not file reports and automatically following up with estimated assessments of tax and penalty for employers that continue to be compliance problems. These new processes also involve the further tracking for delinquent collection efforts, including an additional delinquent collection fee, for those employers that fail to respond to notices.

Currently, the department has approximately 133,000 active employers registered for the withholding of income tax from employees' wages. These employers file over 1.4 million withholding deposit reports and returns each year. Each year the department's Compliance Bureau issues an average of 16,000 request to file reminders, 50,000 estimates for employers that fail to respond and file, and 47,000 adjustment notices to correct the tax, interest, and penalty due on reports filed.

VIII. REPORTING BUSINESS CHANGES

Have you had a change in your business (e.g., change in legal/business name, mailing/business address, entity change, etc.)? Please notify the department using the information correction form included in your WT-6 coupon booklet, or notify the department of such changes in letter form. Indicate your legal/business name, Wisconsin Employer Identification Number, tele-

phone number, and the date the change occurred when corresponding with the Department of Revenue. As a general rule, if you are required to obtain a new Federal Employer Identification Number (FEIN), you should also register for a new Wisconsin Employer Identification Number (WEIN).

If you are notifying the department that your account should be inactivated, please indicate the reason that you are no longer withholding Wisconsin income tax and the date of that change. If you resume withholding within three years of the account inactivation date, the same Wisconsin Employer Identification Number will be issued to you.

IX. NEED MORE INFORMATION

The "Wisconsin Employer's Withholding Tax Guide" contains the tax rates and information about deducting, reporting, depositing, and reconciling Wisconsin withholding taxes. Publication 509 contains information about requirements for filing wage statements and information returns on magnetic media. Copies of these publications may be obtained by contacting any DOR office or calling (608) 266-1961.

Wisconsin withholding tax law generally conforms with the federal Internal Revenue Code. A copy of the federal "Employer's Tax Guide"-Circular E (Publication 15), as well as other federal forms and publications, may be obtained at your local IRS office or call 1-800-829-3676.

WHERE TO DIRECT QUESTIONS

General Withholding Questions (608) 266-2776 or
Wisconsin Department of Revenue
PO Box 8902
Madison WI 53708-8902

Mailing Address for Reporting Forms (WT-6, WT-7, Magnetic Media):

Deposit Reports (Form WT-6) Wisconsin Department of Revenue
Drawer Number 931
Milwaukee WI 53293-0931

Annual Reconciliation (Form WT-7 and W-2's) Wisconsin Department of Revenue
PO Box 8920
Madison WI 53708-8920

Magnetic Media and Annual Reconciliation (Form WT-7 and W-2's) Wisconsin Department of Revenue
4638 University Avenue
PO Box 8903
Madison WI 53708-8903